

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. If you do not see an opportunity for your product here, please check out our other reports at www.buyusa.gov/brazil and consider contacting us directly to find out if we can help you export to Brazil.

Summary

This study covers a market segment represented by a series of water sports equipment. The U.S. Commercial Service has identified the following sub-sectors with the highest potential for US manufacturers.

- Boats
- Jet-sky
- Fishing equipment
- Sailing
- Surf & Beach
- Swimming Pool and Accessories

To succeed in Brazil, U.S. manufacturers should be established in the country or have a local agent or distributor. The U.S. Commercial Service in Brazil can help U.S. companies find business partners in Brazil.

Market Overview

There is great potential for water sports equipment in Brazil. According to trade sources, over 90 percent of the equipment and accessories for the water sports industry are imported, with the majority coming from the United States. As the entire water sports industry grows, imports of accessories will accompany the growth. U.S. Dollar to Brazilian Real exchange rate helps make U.S. products more attractive.

This segment is projected to grow 10% in the next three years, with good weather and the abundance of coastline (over 5,000 miles long) making Brazil a strong market.

The water sports market is less-price sensitive than other sporting good segments because prospective consumers have high incomes and greater leisure time. The market is expected to expand as the number of beach resorts being constructed along the north and northeastern coasts of the country increase.

In Brazil, there are two major trade show for the boat industry - the Rio Boat Show and the São Paulo Boat Show. Both trade



shows attract a huge number of consumers, and industry insiders say that many sales are made during the shows.

Below is a brief description of each one of the segments in the Water Sports Industry that the U.S. Commercial Service has identified as best prospect for US manufacturers.

Boats

During 2000, there were a large number of boats and yachts imported into Brazil. During this time, the exchange rate was very favorable and Brazilians took the opportunity to buy new equipment. Currently, the number of imported new boats in Brazil is very limited. The Brazilian Government (GOB) considers boats as "non-essential" equipment and thus imposes heavy duties.

Most of the equipment imported into Brazil comes from the United States. Some of the brands present in Brazil are Bay Liner, Chris Craft, Regal Boats, Sea Way, Celebrity, among others. Italian boats are also well accepted in Brazil. To date, Asian manufacturers have not been very aggressive in this specific segment.

Based on interviews with companies in the segment, the most active months for the boat industry is between October and April.

The State of Sao Paulo carries over 80 percent of the Brazilian boat fleet, followed by Rio de Janeiro with 9 percent, and Santa Catarina and Parana together with 4 percent. The majority of the boats are used in the ocean.

According to industry specialists, the division of social class consumption in this industry is as follows:

Class A – boats at US\$400,000 or more
Class B – boats at US\$100,000 - \$200,000
Class C – boats between \$25,000 – \$60,000

Until 2003, Bay Liner was the largest foreign manufacturer with facilities in country. To take advantage of fiscal benefits, production was all done at the Manaus Free Trade Zone (explanation to follow). During several years that Bay Liner was in Brazil, its market share grew tremendously. Based on comments provided by companies interviewed, it was very sad that the company had to terminate its operation in Brazil. If any other foreign company is interested in investing in Brazil, it will certainly succeed.

Accessories for the boats such as motors, electronics, awnings, GPS, furnishings are mostly imported. The same applies to other equipment, such as skies, clothing, and inflatable boats, among others.

Jet-ski

Imported products dominate the jet-ski market. Most of the equipment brought into Brazil is either Sea Doo/Bombardier or Yamaha. Recently, a Brazilian manufacturer started to build its own high quality equipment. Specialists believe that Fun Jet might increase sales because their technology and equipment is comparable to foreign manufacturers.

Import duties on jet-skies are extremely high. The average price for a jet ski in Brazil is US\$10-30 thousand.

Similar to the boat industry, jet skis are largely launched during the Sao Paulo and Rio Boat Shows. Some interviewed companies have reported that the São Paulo show offers more orders than that in Rio because of its proximity to the summer season and a larger consumer class. It should be noted that Class C consumers are a strong consumer class for jet skis.

According to trade sources, over 90 percent of the equipment and accessories for the water sports industry are imported. The large majority of such equipment comes from the United States.

Sailing

Sailing is often taught at an early age through sports clubs. Children often progress through a series of boats from dinghies to ocean class. Electronics used in sailboats, such as radar, and GPS, is still the best market segment for U.S. companies. Over 90% of such products are imported from the United States.

Fishing

Brazil has ideal conditions for fishing and is recognized as a destination for foreign fishing enthusiasts. The most attractive destinations are the Amazon Region (in the heart of the Rain Forest) and the "Pantanal" (wetland) that crosses the State of Mato Grosso and Mato Grosso do Sul (western region of Brazil). Statistics show that at least two thirds of the population enjoys fishing as a leisure activity.

According to trade sources, the local manufacturing market for fishing equipment is nonexistent in Brazil. The Brazilian market is totally supplied by imported products, many of them high quality. U.S. products face stiff competition from Asian products and the "informal" market, mostly products from Paraguay and Miami that avoid the official import process. Estimates are that over 80% of fishing equipment is supplied through informal distribution from Paraguay, with prices up to 40% lower than legal imports.

Approximately 90% of end-users are concentrated in the southeast of Brazil where the most affluent population lives. Furthermore, the more densely populated metropolitan centers generate more than 80% of total sales. The highest consumption is concentrated in the city of Sao Paulo, followed by the suburbs of Sao Paulo, and the States of Parana and Rio Grande do Sul.

Imported fishing equipment brands such as Diwa-Fishing (Japan), Quantum (USA), Abu (USA), Marine Sport (manufactured in Taiwan but commercialized in Brazil) are sold in Brazil with very good consumer acceptance. According to trade sources, potential exists for new imported brands in the market. Strong marketing through magazines or trade shows can speed product penetration.

The fishing equipment consumer class is very eclectic, ranging from an ordinary fisherman by the riverside to a professional fisherman in a large private boat. Although Brazilians are generally price sensitive, quality and brand name are the primary considerations for the consumer seeking specialized fishing products.

Surf & Beach

Two other great potential niches are surfing and diving. The local industry produces excellent quality boards. Nevertheless, this could prove an attractive market for U.S. companies because of some superior designs and the prestige of U.S. brand names.

Diving is an emerging sport and has strong potential with the local population because of the abundance of beautiful natural locations good for scuba diving. Tourist locations that offer various beach-related activities are also creating a demand for snorkeling equipment.

Brazil is recognized as the third most important surf market in the world - with 8000sqm of beaches and 2 million surfers.

With a population of 170 million people, mostly youngsters, and 70% living less than 100 km from the sunny cost line, Brazil has ideal conditions for surf and beach industries.

The surf industry has is estimated at US\$2.5 billion annually, and has been growing every year. Surfing is a sport that produces a unique style of clothing. Brazil currently exports bikinis, however, neoprene and other clothing accessories are imported into Brazil. Local production of such goods are still of lower quality and technology. Over 80% of the surf clothing imported, comes from the United States.

According to trade sources, Brazil is the second largest consumer market of surf goods in the world. It is also the second in consumption of skate-wear and first in bikinis. There are over 2 million surfers in Brazil, and it is considered the second most popular sport behind only soccer.

Swimming Pool and Accessories

The swimming pool and accessories market has an expected growth of 7-8% in the next three years. Local industry is strong and highly qualified. Imported products often come from France, Spain and the United States. The National Swimming Pool and Accessories Association (ANAPP) estimates that there are 1.2 million residential pools in Brazil. Industry analysts believe that 50,000 new swimming pools will be built yearly. This segment is no longer considered only for the richest segment of the population. Almost 20% of the new swimming pools built recently were located in more affordable housing complexes. With the expected growth of tourist resorts and countryside houses, this market is a good prospective for U.S. companies.

Manaus Free Trade Zone

The Manaus Free Trade Zone is a 10,000 square kilometer area that includes the city of Manaus, the capital of the state of Amazonas. Fiscal incentives for the Manaus FTZ include exemption from the IPI tax (industrialized product tax) and from tariffs on imported components; reduced tariffs on products shipped from Manaus to the rest of Brazil; reduced state tax (ICMS – Merchandise Circulation tax) on products imported from, or exported to, the rest of Brazil; up to 10 years exemption from federal income tax; and exemption from import license fees. Detailed information can be obtained at: www.suframa.gov.br (Brazilian Government Official homepage).

Unlike Manaus, which has special incentives for establishing industries, other FTZs offer only free ports for import and export of goods. Manaus Free Trade Zone importers are allowed to supply foreign goods from their stock in Manaus to other parts of the country regardless of quantity. These goods are still subject to all duties assessed under normal importation, but the ICMS is reduced to only 4 percent.

Legislation for Export Processing Zones (ZPEs) requires firms operating in the zone to export at least 90 percent of their production. Up to 10 percent of production can be sold in the domestic market, and is subject to a duty of 75 percent *ad valorem* on the final price, minus the cost of the imported inputs. Normal corporate income taxes apply to profits generated in the zones. Firms operating in the zones are exempt from foreign exchange regulations and can maintain dollar and local currency accounts. The official Brazilian exchange rate must be used to convert dollar accounts for local purchases. Foreign firms established in the zones may use their own hard-currency resources for tax-free imports of machinery and raw materials from abroad. Firms in the ZPEs may not produce goods subject to export quotas. License and authorization requirements remain in effect in ZPEs for health/sanitary controls, national security interests, and environmental protection.

A more in-depth report on Manaus Free Trade Zone can be accessed at www.focusbrazil.org.br/ccg under market intelligence.

Competition

Most of the Brazilian water sports market today is supplied by small to medium sized national manufacturers. Imports represent approximately 90% of the market, with U.S. imports making up the majority. Imports from the United States, Europe and Japan are expected to grow as the demand for quality products accelerates. Also, imports from the Far East may grow as Brazil develops a demand for lower-priced water-sports products.

Market Access

The U.S. Commercial Service of the U.S. Department of Commerce offers a series of services for American exporters interested in identifying partners in Brazil. Details of these services may be obtained through an U.S. Export Assistance Center in your area (<http://www.export.gov/eac>) or you can access www.buyusa.gov/brazil for Brazil specific information.

The best means of entering the Brazilian market is through an established local distributor. Trade fairs are

an excellent opportunity to meet potential business associates and should be attended by all those who want to enter the Brazilian market. When choosing a partner, it is crucial to measure the party's ability to perform after-sales service, their geographic location and any financing options they have available for potential clients.

Another market entry strategy is through an agent. Rarely, though, are these relationships exclusive, which could cause conflicts of interest.

To succeed in Brazil, foreign firms must learn about tax and legal issues, import regulations, contractual practices, and establish clear objectives for their medium to long-term market presence. Companies should be prepared to face short-term difficulties and to invest time and resources. Partnering with a solid local firm, or hiring qualified local staff is the key for the company's success in Brazil.

U.S. businesses must keep financing in mind as a critical element when considering contracts and affiliations with local companies. Interest rates that the Brazilian consumer pays on a monthly basis rivals what the U.S. consumer pays annually. This often makes large ventures too risky unless the Brazilian business is extremely large and financially stable. U.S. companies should realize that often, small contracts are favored over large ones. Although the U.S. company may not immediately see large profits from this initial transaction, a larger contract may follow if that small contract succeeds.

All products imported into Brazil are subject to Brazilian Customs import procedures and fees. The entire import process is computerized through a system called SISCOMEX (Sistema de Comércio Exterior). SISCOMEX simplifies the import procedures by reducing the amount of paperwork and information required by Customs. Most often an importer retains a customs broker (despachante) to handle the import procedures, including the payment of all applicable taxes.

US companies should pay attention to some standards required by the industry before sending products to Brazil – otherwise they might not be authorized to enter into the country. Brazilian legislation requires Portuguese translation of all technical manuals.

The Brazilian government imposes restrictions on imports of used equipment, parts and accessories. Imports of used machines are authorized only if they are not currently produced in Brazil, or cannot be replaced by locally made equipment. Gaining import approval is complicated and duties are the same as on new products. The age of the used imported equipment at the date of the request for import must be less than its life expectancy. The importer must submit to the Brazilian Foreign Trade Secretariat a technical evaluation and appraisal report prepared by a qualified company with renowned technical capacity.

Imports of refurbished equipment are prohibited in Brazil. Parts are authorized only when the original manufacturer performs the refurbishing. The importer must present a document prepared by the appropriate Brazilian Industry Association certifying that those parts are not produced in Brazil.

Contact Information

- For more information about export opportunities in this sector contact US Commercial Service Trade Specialist Patricia Marega at:
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- For a good overview of exporting to Brazil, please look at our US Country Commercial Guide to Brazil:
<http://www.focusbrazil.org.br/ccg>
- US Commercial Service in Brazil:
www.buyusa.gov/brazil
- For more reports on this sector in other countries, please visit Export.gov's website for US Commercial Service Market Research Worldwide:
<http://www.export.gov/marketresearch.html>

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